



# TAX INCENTIVES POLICY

INFORMATION PACKET AND GUIDELINES

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**OVERVIEW:**

A company that is in the planning phase of a major business attraction or expansion project that will include a capital investment in real and/or personal property may be eligible for a number of statutorily provided and locally approved tax incentives or abatements. The City of Muskegon strives to apply these incentives with maximum return on investment for the developer and community. The process for requesting and receiving an eligible tax incentive for a development or expansion project has been simplified in the following policy guidelines and forms.

The City of Muskegon maintains this policy with the objectives of:

- increasing employment opportunities for our residents,
- diversifying and stabilizing the tax base of the community,
- reducing functional obsolescence of existing buildings and lots,
- encouraging expansion of our existing business base,
- providing for improved housing and commercial amenities for the community,
- encouraging attractive, viable building sites and
- enhancing our economic development tools to attract and retain businesses

**POLICY ELIGIBILITY CRITERIA:**

1. A tax abatement shall not be granted until there is compliance with the associated state statute; and
2. Leasehold property shall not qualify for a real property tax abatement unless applicant is responsible for payment of the property taxes, and can demonstrate timely payment of property taxes upon the City's request; and
3. A tax abatement shall be issued for a term reflective of the points earned in the City's scoring matrix; and
4. A tax abatement shall not be issued unless an Applicant completes the attached application form and provides all necessary documents to ensure accurate scoring by the Tax Incentive Review Committee.

**APPLICATION PROCESS:**

Once a company has determined that it meets the minimum criteria for consideration of a tax abatement, then a company may begin the process of formally applying for the relevant incentive. The process is as follows:

1. Letter of Intent submitted on applicant's letterhead to the Planning Director (No improvements shall be considered for abatement if made or permitted prior to the approval of the abatement application).
2. Complete any relevant Michigan Department of Treasury Forms. Include with the form:
  - a. Cost Sheet for anticipated improvements in real property.
  - b. Lease Agreement showing building terms and applicants' tax liability (if applicable).
3. Submit application form and attachments to the City of Muskegon Planning Department.

4. Tax Incentive Review Committee verifies completion and eligibility of Applicant’s documents for submission and makes recommendation to the City Commission regarding approval and length of the requested abatement.
5. City Commission Public Hearings are scheduled.
6. City Commission votes on establishment of the District and approval of the associated abatement (City Commission may also vote to reject any application for abatement).
7. Resolution submitted to State Tax Commission for final approval and issuance of certificates where necessary.
8. Projected investment must be complete within two years or risk liability for any abated values.

**LENGTH OF THE TAX ABATEMENT:**

The City Commission has approved the use of the following matrices to calculate the length of the associated tax abatement. The points in this scoring system are tied to community goals endorsed by elected officials and staff, thereby rewarding and incentivizing specific development types and values with additional potential years of abatement:

<b>Cognate</b>	<b>Value</b>	<b>Cognate</b>	<b>Value</b>
<b>PA 198</b>		<b>PA 210, 255, 146</b>	
<b>Taxable Value</b>	0-5	<b>Taxable Value</b>	0-5
<b>Job Creation</b>	0-3	<b>Location</b>	0-2
<b>Resident Hiring</b>	0-2	<b>New Business</b>	0-1
		<b>Resident Owned/Managed</b>	0-2
<b>TOTAL</b>	0-10	<b>TOTAL</b>	0-10

<p><b>PA 198 IFEC Scoring Guide</b></p> <p>1-7 Points: 9-Year 50% Abatement</p> <p>7-10 Points: 12 Year 50% Abatement</p> <p><b>PA 210 Tax Abatement Scoring Guide</b></p> <p>1-5 Points: 3 Years frozen taxable values</p> <p>6-8 Points: 6 Years frozen taxable values</p> <p>9-10 Points: 10 Years frozen taxable values</p>
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**PA 255 Tax Abatement Scoring Guide**

1-5 Points: 4 Year Abatement

6-8 Points: 8 Year Abatement

9-10 Points: 12 Year Abatement

**PA 146 Tax Abatement Scoring Guide**

1-5 Points: 4 Years frozen taxable values

6-8 Points: 8 Years frozen taxable values

9-10 Points: 12 Years frozen taxable values

**TAX ABATEMENT APPLICATION FEE:**

The City Commission has authorized the implementation of a non-refundable application fee of \$1,000.00 for Public Act 146, Public Act 255, and Public Act 210 abatement applications. Public Act 198 tax abatement applications carry a non-refundable application fee equal to 2% of the abated taxes, not to exceed \$1,722.

**REQUIREMENTS AFTER TAX ABATEMENT IS APPROVED:**

By the December 31 that is two years after the December 31 of the year that the abatement is approved, the applicant will supply the Planning Director with a letter confirming that the purchases, employment numbers, renovations, and/or other applicable cognates are complete. If these figures have not been reached, a letter of explanation must be submitted to the Planning Director, for review by City Commission, which may then cancel the abatement, or offer a new abatement with reduced values and years.

For assistance with your business attraction and retention needs, please contact the City Economic Development Office at 231-724-6870. For assistance with the associated process and application, please contact the City Planner's Office at 231-724-6702.